

Letter of Intent for Diversion Reduction Agreement

between

Clark Fork Coalition

and

Hans and Angel Lampert, Lampert Ranch

This letter of intent (this "Letter"), dated as of September 26, 2012, is executed by Clark Fork Coalition, Inc., a Montana nonprofit corporation, 140 S. 4th Street West, Missoula, Montana (the "Coalition"), and Hans and Angel Lampert, Lampert Ranch, Galen, Montana (the "Lamperts"). The Coalition and the Lamperts are sometimes referred to herein individually as "Party" and collectively as "Parties."

The purpose of this Letter is to confirm the intent the Parties to enter into a agreement wherein the Coalition would monitor a diversion reduction agreement on the Beckstead Ditch for up to two years, and pursue a split-season water lease for a longer duration. The Lamperts agree to reduce their diversion of water from Lost Creek at the Beckstead Ditch, by shutting off the Ditch headgate from 5 July until the end of the irrigation season each year for up to two (2) years. The following terms and any additional terms which the Parties negotiate apply:

1. Water Right. The agreement pertains to water right **76G 116496 00** held by the Lamperts on Lost Creek near Galen, Montana. The water right of **3.85 cfs** is used to irrigate approximately 160 acres on the west side of the Clark Fork river. The diversion reduction agreement will not affect the water right in any way.

2. DNRC Application for Proposed Lease. The Parties understand that, upon signing a future agreement to lease this water (final lease agreement to be negotiated in the next year), an application will be made to the DNRC to change the portion of the water rights that will be leased to the Coalition and applied to an in-stream use long-term. The Coalition will be responsible for preparing and filing the applications with the DNRC and will be the primary point of contact for the applications. The Lamperts will cooperate with the Coalition in providing access to the property and other necessary information regarding historic and current water use.

It is anticipated that the DNRC application process will take 12 to 24 months. If substantial objections or delays of more than 2 years are encountered in the change application process, the Parties may mutually elect to terminate the application and the proposed lease agreement. The Parties understand that the actual amount of water assigned to each Party will be determined through the water right change process through the Montana Department of Natural Resources and Conservation (DNRC).

3. Compensation for split-season diversion reduction. The parties agree to a compensation of \$3000/year ($\$4/\text{ac-ft} \times 3.85\text{cfs} \times 1.98 \text{ ac-ft/cfs/day} \times 100 \text{ days}$) for the diversion reduction agreement from 5 July to end of each irrigation season.

The Coalition will use its best efforts to secure funds to lease the water right after the diversion reduction agreement concludes. The Parties acknowledge that the Coalition will be applying to various State of Montana and National sources to fund the future lease. The proposed lease price may or may not be similar to the diversion reduction agreement price, based on further research and negotiations.

4. Conditions to Agreement. Payment of the diversion reduction agreement is contingent upon securing funding from the DEQ 319 program in summer 2013.

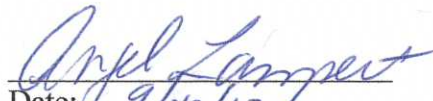
5. Access. The Parties understand that it will be necessary for the Coalition to collect information on irrigation use, such as ditch capacity, diversion structures, and number of acres irrigated. The Lamperts will allow representatives from the Coalition reasonable access to the property and diversion facilities for the purposes of monitoring in-stream flow and irrigation use, and the Coalition will provide reasonable notice to the Lamperts for access.

6. Superseding Water Right Lease Agreement. Upon securing initial grant funding approval the Parties will negotiate and enter into a superseding water right lease agreement within one year that includes the general elements described above and any additional elements negotiated between the Parties. If the parties cannot arrive at a lease agreement within one year, then the project will terminate at the end of the second year of the diversion reduction agreement.


Hans Lampert, LAMPERT RANCH


Date: 9/26/12

Angel Lampert, LAMPERT RANCH


Date: 9/26/12

CLARK FORK COALITION

By: 
Karen Knudsen,
Executive Director
Date: 9/26/12